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DEPARTMENT OF STATE
Washington, D.C. 20520

Attention: Mr. Mutek
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January 6, 1969

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MEMORANDUM FOR MR. WALT W. ROSTOW
THE WHITE HOUSE

Subject: Civil Aviation Negotiations with Italy

Representatives of the United States and Italy met in Washington from December 9 to 20, 1968, to negotiate a new air transport services agreement. The information memorandum sent by the Department to the White House on December 6, 1968, had indicated the principal issues to be dealt with and the USG position on these elements.

As indicated in the attached memorandum which briefly describes the present status of the negotiations, substantial progress was made in these two weeks on the text of a new agreement. In addition, there emerged from the discussions some fairly clear possibilities of how to resolve heretofore difficult issues of routes, capacity and all-cargo services. However, little progress has been made so far on the question of multiple designation. The present USG position on maintaining the right to designate additional US carriers into Italy is being adamantly opposed by Italy. Italy's willingness to accept the right of multiple designation in principle, subject to some limitations in practice, offers some hope that we may ultimately be able to find a reasonable accommodation on this point, but this has so far not provided an acceptable basis for a deal.

The meetings, which were conducted in a very cordial atmosphere, were recessed on December 20 for the Christmas holidays and are to resume in Rome on or about February 3. The White House will be kept informed of the development of a US position on the remaining unresolved issues.

E - Mr. Solomon
E/TT - Mr. Loy
E/OA/AN - Mr. Rodriguez
E/OA - Mr. Meadows
EUR/AIS - Mr. Stablet
L/E - Mr. Georgant
H - Mr. Schnee

Benjamin H. Read
Executive Secretary

E/OA/AN:ECRodriguez
Enclosure:
Memorandum

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MEMORANDUM

CIVIL AVIATION NEGOTIATIONS WITH ITALY

A. General

In the civil aviation discussions held in Washington from December 9 to 20, 1968, the US and Italian delegations considered the various elements necessary to the formulation of a new air transport services agreement and tried to isolate the areas that would require concentrated efforts in order to reach an accord. Toward the end of the two weeks, it became clear that these many issues and many details could not be resolved before the Christmas holidays, and it was agreed that the meetings should be recessed until after the holidays. The earliest date that the US delegation could propose for the resumption of talks was February 3, because of other negotiation commitments in January, and that date was accepted by Italy.

On December 20, the two delegations signed a memorandum of consultations, listing briefly the elements dealt with and the progress made. These issues and their status are summarized below.

B. The Text of the Agreement

The Italian delegation agreed to accept a draft agreement proposed by the United States, which conforms to the standard bilateral air transport agreements in force between the US and other countries, subject, however, to certain modifications and supplementary understandings. The modifications dealt with the articles on customs exemptions, on rates, on airport charges, and on the formalities for entry into force of the agreement. Agreement was reached on the article covering entry into force, while the others are to be discussed further when negotiations resume.

The supplementary understandings requested by Italy concern capacity, all-cargo services and the right to designate a multiple number of carriers. Italy indicated that it would accept the standard provisions in the agreement dealing with these topics if the supplementary interpretations or understandings on these points could be worked out. These understandings and the resolution of a route exchange will be the items of primary importance for a new agreement.

C. Multiple Designation of Airlines

The Italians proposed a joint statement that embraced acceptance of the principle of multiple designation, limited, however, to the number of US carriers (three) presently serving Italy. The United States

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position was that the right of the CAB to make additional designations, particularly on routes to Italy not now served by US carriers, could not be precluded. The US, however, was willing to make a supplementary statement that it was not the US intention to designate additional US carriers on routes presently operated, (i.e., no more than three on each of the following routes: New York, Boston, Chicago, and Los Angeles to Italy) and would be willing, if a new carrier were designated on a new route to Italy, to consult with Italy after a reasonable period of service to see if the operations of the new carrier had had an undue effect on the interests of the Italian carrier or had affected the economic balance of the agreement. This proposal was not acceptable to Italy because (1) it could not agree to a fourth US carrier into Italy, and (2) the proposal could mean in theory a number of US carriers equal to the number of routes operated times three, or twelve at the moment plus more later as new US routes were established. The two sides agreed to consider their respective positions further on this crucial item.

D. Capacity

The Italians proposed an understanding on capacity, providing for advance notification of capacity increases and for both a priori and a posteriori consultations, which is substantially acceptable to the US. This was a significant concession by Italy. The only changes desired by the US, which Italy has not yet accepted, have to do with the criteria to be used in a capacity consultation and a reference, desired by Italy, to procedures to be implemented for the introduction of Boeing 747 aircraft and other large capacity aircraft on routes between the two countries. Although these points were not resolved, it is expected that a mutually acceptable accommodation can be arranged.

E. All-Cargo Services

Italy would like to have a supplementary understanding on all-cargo services that would provide for a temporary developmental period of some three years for all-cargo services, during which the two sides would operate an equal number of all-cargo frequencies, at the end of which the two countries would consult on a long-term arrangement. In an effort to move ahead toward an agreement, the US said it was prepared to consider a temporary agreement, limited to two years, during which time the number of US all-cargo frequencies would (through consultation with the US carriers) be limited, and indicated the number of frequencies the US carriers would intend to operate during those two years. The Italian carrier, under the US proposal, would be free to introduce as many frequencies as it desired. However, the US insisted that at the end of the transitional period, all-cargo services would be governed purely by the basic agreement and the supplementary understanding on capacity.

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Although the two delegations are still far apart on the various aspects of an all-cargo understanding, there is some optimism that these views can be accommodated by adjustments in the number of frequencies, the duration of the developmental period, and by reaffirming the possibility of meaningful consultations in the future in light of all-cargo developments.

F. Routes

The Italian and United States delegations tabled their respective proposals on route exchanges. The routes requested by Italy dropped out the long-standing Italian desire for a route beyond the US to the Orient, and opted for rights to New York, Boston, Chicago, Los Angeles, Atlanta, and Dallas. These right grants would be acceptable to the US if a route package of equivalent value is granted by Italy to the US. The Italian structuring of these rights involved certain coterminal routings which pose difficulties for US, but it is expected that the coterminal rights can be suitably limited. In an effort to reach an agreement, the US, in its route request, dropped out routes beyond Italy to Africa and Australia, which are considered to be of significant future importance by the US carriers. Essentially, the US requested confirmation of the routes to and beyond Italy presently operated by US carriers, with an extension of a route beyond Italy via points in the Near and Middle East to Bangkok, Hong Kong, and Tokyo, and back to the US. The Italian delegation opposed the grant of the route beyond Italy except for sectors now actually operated by the US carriers and also questioned other less important aspects of the US route description.

The difficulties of resolving the route differences should not be minimized. However, it should be possible to work out a route exchange, on the basis of equivalent economic values.

G. Future Negotiations

The Italian delegation proposed that a joint statement be agreed to noting that each side had requested certain additional rights beyond the territory of the other side which would not be included in the exchange of routes presently negotiated and stating that those route requests would be reexamined within 1970. The statement proposed by the Italians is not couched as a commitment, and it may be possible to agree to some such joint statement, with suitable amendments, in order to meet the Italian desire for some assurance that other routes can be considered in the future.

H. United States Carrier Views

As stated in the Department's memorandum of December 6, the US airline industry, in general, recognizes the importance of an agreement with Italy, and is willing to accept necessary concessions to Italy.

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The industry's consensus is that traditional USG views on multiple designation, capacity and all-cargo services should not be abandoned or prejudiced. The USG position for the negotiations has been designed to meet to the greatest extent possible the special needs and interests of the US airlines concerned, bearing in mind the concerns of Italy.

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